7: Janlekha X-4,5 (1948-1953)p956 AO7 Central Thai AO7
Bangchan

CHAPTER VI

FARM ORGANIZATION AND MANAGEMENT

Broadly speaking, a farm is one or more tracts of land held or operated as a unit for the production of agricultural products.[1] The subject of farm organization and farm management is usually treated under the more general term "farm management". A recognition of the distinction between these two functions of the farm operator is necessary. Organization refers specifically to the function of creating the general scheme or plan of production, whereas management refers to the function of putting the scheme into operation and of making those adjustments in the business which are necessary in order to obtain the maximum economic returns from the farm business as a whole.[2]

Limited Role of Bangchan Operators

1. Limited role in organization: Discussions in the preceding chapters have indicated that at the present stage of technological development Bangchan operators have really not much choice in creating the general scheme or

1. H. C. M. Case and Paul E. Johnston, Principles of Farm Management, J. B. Lippincott Company, Chicago, 1953. pp. 466.

2. G. W. Forster, Farm Organization and Management (New York: Prentice-Hall, Inc., 1950), p. 19.

243 433 44 plan of production. If a crop is to be produced for market in Bangchan, in all probability it must be rice. Since crop rotation is not practiced, there is no need for decision making as to the kinds of crops which are to be grown 235 other than rice. The operator may have to decide how many chickens he should keep, but he normally settles on a flock of ten to fifteen, for it would be too much a burden to keep a larger flock and fewer heads of poultry would not 243 433 be worth the time. The production function, or the choice of the best factor combination, also does not call for any serious consideration. For it has been observed that at the present stage of technological development of rice production in Thailand or even in the whole region of Southeast Asia the marginal product of labor has already approached zero. In other words, more labor applied to the same area under the same method of planting would not materially increase the crop harvested. It has been claimed, though, that a larger crop may be expected from the same parcel planted to broadcast rice by changing the planting method to the more labor intensive transplanting system. This claim has never been substantiated, however, by any systematic comparative study. Besides, the transplanting method is so universally adopted in Bangchan that it can almost be taken for granted to be the one in use by any rice farmer. Moreover, it was mentioned earlier that the planting method is not optional with the farmer but is governed by topography, expected condition of water supply, and availability of labor.

7: Janlekha X-4,5 (1948-1953)p956 AO7 Central Thai AO7
Bangchan

*243 Problems in the Marketing of Rice
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Another factor which has aggravated the basic economic problem of Bangchan lies in the marketing of rice. In order to meet its contract commitments, as well as to obtain control over the price of rice to domestic consumers, the Thai government declared a monopoly on rice export at the end of World War II. This monopoly enabled the government to appropriate a large part of the high prices received for rice exports. Surplus rice had to be sold to the Government Rice Office at prices fixed in baht. Mills were allowed to sell rice for local consumption, but the entire surplus over domestic needs had to be sold to the government, which resold it to foreign buyers. Internal transport of rice and paddy was strictly controlled, and provincial surpluses of milled rice were delivered to warehouses in Bangkok. The government did not control the price of paddy. It merely bought milled rice for export, and the paddy price was determined by the competition of millers and middlemen, the willingness of growers to sell their paddy, and the rice prices paid by the Rice Office.[3]

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Government profits arose in two ways. First, the Rice Office sold rice to shippers for about 20 per cent more than the price it paid to the millers. This trading profit was considerable because both the purchase and sale by the government were paper transactions involving little expense. Second, a potential exchange profit arose from the fact that

3. Ibid., p. 88.

*243 256 472 Although private rice millers in Bangkok operate with a rather high degree of collusion, in the countryside the many small millers compete actively on the basis of price charged for their services or price paid for paddy or both. The comparatively high capital investment of the enterprise has rendered inter-mill competition in the countryside very intense, and it is obvious that the farmer gains economically from such competition. If somehow the government could, by a carefully conceived gradual program, induce a large number of smaller mills to move from Bangkok to the countryside, the farmer will benefit all the more. Already, the trend has been for gradual business decline for Bangkok mills and business upswing for the countryside mills.[8]

*243 256 656 44 It is rather unfortunate, however, that the government has explicitly taken the view that small rice mills (capacity of five tons and under) in the countryside are detrimental to the interest of the farmer. It is officially held that small rice mills would bring about a large number of middlemen who would then combine to suppress the farm price. Actually, more middlemen tend to produce correspondingly keener competition in the marketing process which is beneficial, not detrimental, to rice growers.

*243 256 433 Small rice mills, which may be more conveniently erected in the villages and perhaps with local capital, will reduce the cost of transporting rice by a third, for about two-thirds of the weight of paddy is head rice, the other

8. The Economic Yearbook, edited by Luan Pannoi, Bangkok, 1951.